



**MINUTES FROM MEETING OF THE
PLANS MANAGEMENT BOARD
JUNE 12, 2018**

The Plans Management Board (the “Board”) held a meeting on June 12, 2018 at 10:00 a.m. at the Office of the State Treasurer (“OST”) located at 820 Silver Lake Blvd., Ste. 100, Dover, Delaware.

Board Members Represented or in Attendance:

Stephen Saville, Board Chair
Alan Colberg, Investment Committee Chair
The Honorable Ken Simpler, State Treasurer
Secretary Geisenberger, Secretary of Finance, Department of Finance
Robert Scoglietti, Director of Policy and External Affairs, Office of Management and Budget (on behalf of Director Jackson)
Karen Field Rogers, Deputy Secretary, Department of Education (on behalf of Secretary Bunting)
Jerry Gallagher, Member at Large
Ralph Cetrulo, Member at Large

Board Members not Represented or in Attendance:

The Honorable Trinidad Navarro, Insurance Commissioner
Charles Campbell-King, Audit and Governance Committee Chair

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Ms. Stephanie Scola, Director of Bond Finance, Department of Finance
Ms. Nora Gonzalez, Deputy State Treasurer, OST
Mr. John Meyer, Director of Contributions and Plan Management, OST
Mr. Daniel Kimmel, Promotion and Outreach Manager, OST
Ms. Martha Sturtevant, Executive Assistant to the Treasurer, OST
Mr. Earle Allen, Cammack Retirement Group (“Cammack”) (Telephonically)
Ms. Marie Villeneuve, Cammack (Telephonically)
Ms. Melissa Ridolfi, Fidelity Investments (“Fidelity”) (Telephonically)
Ms. Sharon Rogers, Fidelity (Telephonically)
Mr. Justin Rozzero, Fidelity (Telephonically)
Mr. Fred Blue, Voya Financial (“Voya”)
Ms. Natalie Daniels, Voya
Ms. Sarala Katta, Voya

CALLED TO ORDER

The meeting was called to order at 10:03 a.m.

INTRODUCTIONS

Ms. Gonzalez announced that Mr. Don Shandler, Member at Large, had submitted his resignation to the Governor effective April 19, 2018 and Mr. Masood, Policy Advisor, is no longer employed by OST effective June 1, 2018.

AUDIT AND GOVERNANCE COMMITTEE CHAIR

Ms. Gonzalez announced that Mr. Campbell-King resigned as Chair of the Audit and Governance Committee and Mr. Cetrulo will assume the role.

APPROVAL OF THE AUDIT AND GOVERNANCE COMMITTEE CHAIR

A MOTION was made by Mr. Saville and seconded by Ms. Rogers to approve Ralph Cetrulo as the Chair of the Audit and Governance Committee.

MOTION ADOPTED UNANIMOUSLY

MEETING MINUTES

Mr. Meyer presented the minutes from the March 6, 2018 meeting of the Board.

APPROVAL OF MINUTES

A MOTION was made by Mr. Saville and seconded by Ms. Rogers to accept the March 6, 2018 Plans Management Board meeting minutes.

MOTION ADOPTED UNANIMOUSLY

VOYA PRESENTATION ON BUSINESS RESULTS - DEFERRED COMPENSATION

Ms. Daniels reviewed the goals of the plans and updated the Board on enrollment and participation rates, highlighting a 66% increase in enrollments from 4Q17 and acknowledging the contribution of emails to eligible participants and meetings with advisors to the increase enrollments. The participation rate remained at 37% as of the end of the May 2018.

Mr. Colberg asked for clarification on “retirement readiness” metrics. Ms. Daniels stated that the definition of the “retirement readiness” is the ability for a participant be able to replace 100% of their pre-retirement income in their retirement. Treasurer Simpler clarified that the Board’s focus is on participants being able to fund 15% of retirement income from a deferred compensation account, with 85% coming from alternate sources such as pensions and social security benefits. Ms. Daniels indicated to the Board that the 15% number includes assets in the 457(b) plan and does not take into account any retirement savings outside of the Voya recordkeeping platform such as personal savings, and other alternate retirement plans or sources.

Mr. Cetrulo inquired about the enrollment rate of new hires. Ms. Daniels said in her experience new hire enrollments tend to occur 90 days from a hire date. Ms. Daniels noted that participants within the plan are maturing and that attracting new hires to the plan will be important strategy to replace the impending wave of retirements that may impact the participation rate.

Ms. Field Rogers noted that employees and educators may be eligible for pay increases and a bonus payment in 2018. She suggested the possibility of referencing the pay increases and bonus payments in an upcoming OST email promoting the plans.

Ms. Daniels reviewed plan participation, balances and contribution rates. Secretary Geisenberger and Treasurer Simpler asked whether Voya has analysis showing a correlation between participation rates and market

performance. Ms. Daniels noted that Voya had not studied the correlation and indicated that she would discuss internally to see if Voya staff could conduct the analysis.

Ms. Daniels indicated that Voya is launching a financial wellness tool, and that the Department of Technology and Information (DTI) is adding a link from the Delaware single sign-on platform to Voya's system to give participants another opportunity to access to their retirement accounts. Mr. Meyer noted that the single sign-on platform may be another channel to promote awareness of the retirement program. Secretary Geisenberger expressed concerns about security associated with linking the platforms. Mr. Meyer said he would address the security concerns with DTI.

Ms. Daniels highlighted a case study from the City of Milwaukee that included initiatives such as auto-enrollment and retro-enrollment options. Ms. Daniels stated that Voya would discuss initiatives at upcoming meetings.

FIDELITY PRESENTATION ON BUSINESS RESULTS – COLLEGE PLAN

Mr. Rozzero reviewed Fidelity's business results for the college plan from the first quarter of 2018. New accounts in the plan grew 47% in the quarter when compared to the same period in 2017. Across the industry, new accounts were up 16% year over year for the quarter. Approximately 60% of the new accounts in the college plan came from existing Fidelity customers. New accounts opened by Delaware residents grew by 36% in the quarter compared to the first quarter of 2017.

Mr. Rozzero presented proposed college readiness metrics to the Board. Fidelity suggested a "2k rule of thumb," which defines college readiness as having \$2,000 saved for each year of a beneficiary's age. Mr. Rozzero stated that 19% of the Delaware plan account holders qualified as ready under this definition. The Delaware plan's readiness percentage was in line with Fidelity's other state plans.

Ms. Rogers reviewed areas of marketing focus to increase college readiness, noting the largest opportunity in targeting participants with children ages 10 and under. She discussed digital marketing initiatives, including targeting grandparents on Amazon.com and Google display advertising sites. Ms. Rogers also highlighted the renewed focus on local sponsorships and targeted event marketing in Delaware and specifically in New Castle County ("NCC"). Mr. Scoglietti asked about more targeting across Delaware and not specific to NCC. Mr. Meyer said the event marketing efforts were relaunched in 2018 with the Greenville Fidelity branch office helping to staff some of the events. Mr. Meyer indicated that he would provide Fidelity with additional ideas for events in Kent and Sussex County for future consideration.

Members discussed the opportunity to target K-12 education expenses. Fidelity has determined that K-12 expenses would not be the target of marketing campaigns at this time and will be releasing a viewpoint article on the topic within the next several months.

Secretary Geisenberger exited the meeting at 11:23 a.m.

STRATEGIC PLANNING FOR COLLEGE PLAN

Mr. Meyer reviewed the proposed mission statements and goals for the college plan that were presented by Fidelity at the March Board meeting. Mr. Meyer identified similarities between the deferred compensation program and the college plan. The Board acknowledged the comparisons and discussed the mission statement. Mr. Meyer presented the three potential goals for the Plan which focused on participation rate, college readiness, and investment return. The Board discussed participation rate and whether the focus should be on attracting

Delaware residents only or to wider audience. Mr. Saville debated if the Board should focus on residents in surrounding locations such as Pennsylvania or New Jersey.

Mr. Meyer indicated that he would present an update on marketing efforts at the Board meeting scheduled on September 5, 2018.

The Board took a break starting at 11:36 a.m. and concluding at 11:41a.m.

INVESTMENT COMMITTEE (“IC”) REPORT

Mr. Colberg provided a report on the IC meeting held on May 22, 2018 and indicated there were no action items for the Board as a result of the meeting.

Fidelity and Cammack presented portfolio performance results for the college plan and the deferred compensation plans, respectively, for the first quarter of 2018. Cammack also provided an update on the ClearBridge Mid Cap Growth fund, which is currently on the watch list.

The IC had a preliminary discussion on the investment policy statement for the deferred compensation plans, and the final product is anticipated to be available for presentation at the Board meeting in September.

AUDIT AND GOVERNANCE COMMITTEE (“AGC”) REPORT

Mr. Cetrulo provided a report on the AGC held on May 15, 2018 and indicated there were seven action items for the Board’s consideration as a result of the meeting.

Additionally, OST presented research on governance topics from other governmental plans and outlined governance best practices from the National Association of Government Defined Contribution Administrators (“NAGDCA”). Members discussed creating a governance manual to include information on the Board, its Committees, the plans, and applicable governing policies. OST was directed to draft the table of contents for the governance manual and a policy to address the payment of plan expenses.

AGC RECOMMENDATIONS AND MOTIONS

Mr. Meyer presented and discussed each of the recommendations from the AGC as outlined in the Memorandum dated June 12, 2018, provided to the Board.

Recommendations Regarding 457(b) Legacy Fees

A MOTION was made by Mr. Cetrulo and seconded by Ms. Field Rogers to use legacy fees to offset future plan expenses and suspend the state administration fee on the 457(b) plan through June 30, 2019, subject to a carve-out (amount to be determined later) for former participants.

MOTION ADOPTED UNANIMOUSLY

Recommendations Regarding Unused 2017 Administrative Fees

A MOTION was made by Mr. Colberg and seconded by Mr. Cetrulo to use the 2017 unused administrative fees to offset future 457(b) plan expenses.

MOTION ADOPTED UNANIMOUSLY

Recommendations Regarding Voya Performance Guarantee

A MOTION was made by Mr. Colberg and seconded by Mr. Cetrulo to allocate the \$20,000 Voya payment to the 457(b) and 403(b) plans pro-rata and treat such amount in the same manner as the 457(b) legacy fees.

MOTION ADOPTED UNANIMOUSLY

Recommendations Regarding Employee Salaries and Benefits for Deferred Compensation and College Plans

Mr. Meyer presented the recommendation regarding employee salaries. Mr. Colberg inquired about the existing allocation method. Mr. Meyer stated that in the 2018 budget, salaries were allocated pro-rata based on plan assets as of December 31, 2017. Mr. Colberg questioned if the ABLE plan would be a consideration for funding the position. Mr. Meyer reported that the AGC discussed allocation methods. Ms. Gonzalez indicated that Ice Miller provided an opinion on allocation methods and funding of salaries by the ABLE plan. Ms. Gonzalez stated that a revised budget would be reviewed by the AGC at the August meeting. Members discussed the funding approval for the fourth OST position and if any budget reconciliation would be needed if there was a change in allocation method. Mr. Scoglietti asked if this position was a new or existing budget position. Ms. Gonzalez replied it was an existing position.

A MOTION was made by Mr. Cetrulo and seconded by Mr. Scoglietti to fund a fourth OST position (salary and benefits) with administrative fees in accordance with existing allocation methods and budget limits for the four plans for the next three months, subject to reconciliation if the allocation method changes.

MOTION ADOPTED UNANIMOUSLY

Recommendation Regarding Audit Contract Increase

Mr. Meyer outlined the recommendation regarding the audit contract increase for the 2017 college investment plan audit.

A MOTION was made by Mr. Cetrulo and seconded by Mr. Colberg to approve the budget increase request for the 529 external audit expenses by \$55,000.

MOTION ADOPTED UNANIMOUSLY

Recommendation Regarding Ice Miller Contract Extension

Mr. Meyer updated the Board on the recommendation regarding Ice Miller's contract. Mr. Colberg asked if there was a current vendor management policy that outlined contract terms and extension periods. Mr. Meyer stated that the vendor management policy would be a future topic for the AGC. Mr. Meyer stated that Mr. Green recently assembled a matrix listing out plan vendors and contract expiration dates.

A MOTION was made by Mr. Colberg and seconded by Mr. Cetrulo to (a) extend the Ice Miller contract for an additional one-year term, through April 2019, and (b) complete a request for proposal for tax counsel prior to the expiration of the extended term.

MOTION ADOPTED UNANIMOUSLY

Recommendation Regarding Fiduciary Training

A MOTION was made by Mr. Scoglietti and seconded by Mr. Saville to (a) accept Ice Miller's proposal for fiduciary training, (b) direct Ice Miller to prepare presentation material for review at the committee's August 2017 meeting, and (c) schedule a fiduciary training session in or around October 2018.

MOTION ADOPTED UNANIMOUSLY

Treasurer Simpler acknowledged the members of the Audit and Governance Committee for the work over the last quarter in preparing the recommendations to the Board.

ABLE REPORT

Ms. Gonzalez stated the team is on track for a June 28, 2018 launch date, and that several events have been planned to raise awareness of the ABLE plan. Ms. Gonzalez indicated that she is continuing to study the budget for all plans and may suggest additional changes to the Board at the September 2018 meeting.

PUBLIC COMMENTS

No members of the public were present at the meeting.

UPCOMING MEETINGS

The next Board meeting is scheduled for September 5, 2018 at Buena Vista Conference Center.

ADJOURNMENT

**A MOTION was made by Mr. Simpler and seconded by Mr. Colberg to adjourn the meeting at 11:56 p.m.
MOTION ADOPTED UNANIMOUSLY**

Respectfully submitted,

Stephen Saville,
Chair, Plans Management Board